A STAR ALLIANCE MEMBER

Air New Zealand

interim

Financial Results 2012

2012
ATW AIRLINE
OF THE YEAR

A STAR ALLIANCE MEMBER

Statement of Financial Performance (unaudited)

For the six months to 31 December 2011

	NOTES	6 MONTHS TO 31 DEC 2011 $M	6 MONTHS TO 31 DEC 2010 $M	12 MONTHS TO 30 JUN 2011 $M
Operating Revenue				
Passenger revenue		1,865	1,834	3,525
Cargo		151	144	278
Contract services		162	164	329
Other revenue		113	94	209
	3	2,291	2,236	4,341
Operating Expenditure				
Labour		(534)	(521)	(1,034)
Fuel		(606)	(529)	(1,084)
Maintenance		(159)	(143)	(311)
Aircraft operations		(198)	(196)	(381)
Passenger services		(122)	(126)	(242)
Sales and marketing		(138)	(140)	(274)
Foreign exchange losses	2	(46)	(75)	(118)
Other expenses		(125)	(104)	(234)
		(1,928)	(1,834)	(3,678)
Earnings Before Finance Costs, Depreciation, Amortisation, Rental Expenses and Taxation		363	402	663
Depreciation and amortisation		(171)	(151)	(316)
Rental and lease expenses		(107)	(124)	(238)
Earnings Before Finance Costs and Taxation		85	127	109
Finance income		15	21	36
Finance costs		(46)	(33)	(72)
Profit Before Taxation	5	54	115	73
Taxation (expense)/credit		(16)	(17)	8
Net Profit Attributable to Shareholders of Parent Company		38	98	81
Per Share Information:				
Basic earnings per share (cents)		3.5	9.1	7.5
Diluted earnings per share (cents)		3.5	9.0	7.5
Interim and final dividend declared per share (cents)		2.0	3.0	5.5
Net tangible assets per share (cents)		140	150	133

	NOTE	6 MONTHS TO 31 DEC 2011 $M	6 MONTHS TO 31 DEC 2010 $M	12 MONTHS TO 30 JUN 2011 $M
Supplementary Information				
Earnings before Taxation (per NZ IFRS above)		54	115	73
Reverse net (gains)/losses on derivatives that hedge exposures in other financial periods:				
Fuel derivatives		(27)	(2)	7
Foreign exchange derivatives		6	(1)	(5)
Normalised Earnings before Taxation	2	33	112	75
Normalised Earnings after Taxation		23	96	82
Per Share Information:				
Basic normalised earnings per share (cents)		2.1	8.9	7.6

Normalised Earnings represents Earnings stated in compliance with NZ IFRS after excluding net gains and losses on derivatives that hedge exposures in other financial periods. The adjustments align the timing of recognition of derivative gains or losses with the underlying hedged transaction.

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to New Zealand Institute of Chartered Accountants Review Engagement Standards RS-1. The accompanying notes form part of these financial statements.

Statement of Comprehensive Income (unaudited)

For the six months to 31 December 2011

	6 MONTHS TO 31 DEC 2011 $M	6 MONTHS TO 31 DEC 2010 $M	12 MONTHS TO 30 JUN 2011 $M
Net Profit for the Period	38	98	81
Other Comprehensive Income/(Loss):			
Changes in fair value of cash flow hedges	30	(126)	(185)
Transfers to net profit from cash flow hedge reserve	45	74	64
Transfers to asset carrying value from cash flow hedge reserve	9	108	121
Changes in fair value of investment in quoted equity instruments	4	-	(81)
Net translation gain on investment in foreign operation	-	2	-
Taxation on above reserve movements	(23)	(18)	(4)
Other Comprehensive Income/(Loss) for the Period, Net of Tax	65	40	(85)
Total Comprehensive Income/(Loss) for the Period Attributable to Shareholders of the Parent Company	103	138	(4)

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Statement of Changes in Equity (unaudited)

For the six months to 31 December 2011

	NOTES	6 MONTHS TO 31 DEC 2011 $M	6 MONTHS TO 31 DEC 2010 $M	12 MONTHS TO 30 JUN 2011 $M
Issued Capital				
Balance at the beginning of the period		2,269	2,252	2,252
Shares issued		5	8	14
Equity-settled share-based payments		3	3	3
Balance at the end of the period		2,277	2,263	2,269
Cash Flow Hedge Reserve				
Balance at the beginning of the period		(20)	(18)	(18)
Changes in fair value of cash flow hedges		30	(126)	(185)
Transfers to net profit ("Fuel")		2	(5)	(63)
Transfers to net profit ("Foreign exchange losses")		43	79	127
Transfers to asset carrying value		9	108	121
Taxation on above reserve movements		(24)	(17)	(2)
Balance at the end of the period		40	21	(20)
Investment Revaluation Reserve				
Balance at the beginning of the period		(81)	-	-
Changes in fair value of investment in quoted equity instruments		4	-	(81)
Balance at the end of the period		(77)	-	(81)
Foreign Currency Translation Reserve				
Balance at the beginning of the period		(10)	(8)	(8)
Net translation gain on investment in foreign operation		-	2	-
Taxation on above reserve movements		1	(1)	(2)
Balance at the end of the period		(9)	(7)	(10)
Retained Deficit				
Balance at the beginning of the period		(654)	(660)	(660)
Net profit for the period		38	98	81
Dividends on Ordinary Shares	9	(27)	(43)	(75)
Balance at the end of the period		(643)	(605)	(654)
Total Equity attributable to Shareholders of the Parent Company		1,588	1,672	1,504
Non-controlling Interests				
Balance at the beginning of the period		-	-	-
Acquired through business combinations	4	2	-	-
Total Equity attributable to Non-controlling Interest		2	-	-
Total Equity at the End of the Period		1,590	1,672	1,504
Total Equity				
Balance at the beginning of the period		1,504	1,566	1,566
Shares issued		5	8	14
Equity-settled share-based payments		3	3	3
Acquired through business combinations	4	2	-	-
Dividends on Ordinary Shares	9	(27)	(43)	(75)
Total comprehensive income/(loss) for the period, net of tax		103	138	(4)
Balance at the End of the Period		1,590	1,672	1,504

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to New Zealand Institute of Chartered Accountants Review Engagement Standards RS-1. The accompanying notes form part of these financial statements.

Statement of Financial Position (unaudited)

As at 31 December 2011

	NOTES	31 DEC 2011 $M	31 DEC 2010 $M	30 JUN 2011 $M
Current Assets				
Bank and short term deposits		915	942	860
Trade and other receivables		383	357	377
Inventories		176	171	167
Derivative financial assets	5	42	81	13
Income taxation		12	-	14
Assets held for resale		9	6	3
Other assets		77	40	41
Total Current Assets		1,614	1,597	1,475
Non-Current Assets				
Trade and other receivables		51	35	52
Property, plant and equipment		2,904	2,568	2,714
Intangible assets		59	49	56
Investment in quoted equity instruments		124	-	120
Investments in other entities	2,4	57	55	54
Derivative financial assets	5	-	-	1
Assets held for resale		-	2	-
Other assets		364	548	430
Total Non-Current Assets		3,559	3,257	3,427
Total Assets		5,173	4,854	4,902
Current Liabilities				
Bank overdraft and short term borrowings		3	2	-
Trade and other payables		431	402	369
Revenue in advance		773	774	888
Interest-bearing liabilities		135	145	152
Derivative financial liabilities	5	44	124	166
Provisions		89	71	79
Income taxation		-	1	-
Other liabilities		155	153	162
Total Current Liabilities		1,630	1,672	1,816
Non-Current Liabilities				
Revenue in advance		137	120	122
Interest-bearing liabilities	2	1,438	1,005	1,103
Derivative financial liabilities	5	-	17	7
Provisions		79	107	88
Other liabilities		30	32	31
Deferred taxation		269	229	231
Total Non-Current Liabilities		1,953	1,510	1,582
Total Liabilities		3,583	3,182	3,398
Net Assets		1,590	1,672	1,504
Equity				
Issued capital		2,277	2,263	2,269
Cash flow hedge reserve		40	21	(20)
Other reserves		(729)	(612)	(745)
Parent interests		1,588	1,672	1,504
Non-controlling interests	4	2	-	-
Total Equity		1,590	1,672	1,504

John Palmer, CHAIRMAN
Roger France, DIRECTOR

For and on behalf of the Board, 24 February 2012.

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to New Zealand Institute of Chartered Accountants Review Engagement Standards RS-1. The accompanying notes form part of these financial statements.

Statement of Cash Flows (unaudited)

For the six months to 31 December 2011

	NOTES	6 MONTHS TO 31 DEC 2011 $M	6 MONTHS TO 31 DEC 2010 $M	12 MONTHS TO 30 JUN 2011 $M
Cash Flows from Operating Activities				
Receipts from customers		2,185	2,196	4,375
Interest received		14	21	41
Payments to suppliers and employees		(2,011)	(1,955)	(3,909)
Income tax (paid)/received		(1)	(24)	3
Interest paid		(41)	(28)	(64)
		146	210	446
Rollover of foreign exchange contracts*		-	26	20
Net Cash Flow from Operating Activities		146	236	466
Cash Flows from Investing Activities				
Disposal of property, plant and equipment and intangibles		2	3	102
Acquisition of property, plant and equipment and intangibles		(302)	(491)	(797)
Acquisition of quoted equity instruments		-	-	(201)
Rollover of foreign exchange contracts*		-	74	83
Other asset		(30)	-	-
Other interest-bearing assets		(1)	(30)	(33)
Acquisition of subsidiaries and joint ventures	4	1	-	-
Net Cash Flow from Investing Activities		(330)	(444)	(846)
Cash Flows from Financing Activities				
Shares issued		2	3	6
Interest-bearing liabilities drawdowns		371	257	458
Interest-bearing liabilities payments		(102)	(123)	(175)
Rollover of foreign exchange contracts*		(11)	(17)	(47)
Dividend on Ordinary Shares	9	(24)	(39)	(69)
Net Cash Flow from Financing Activities		236	81	173
Increase/(Decrease) in Cash and Cash Equivalents		52	(127)	(207)
Cash and cash equivalents at the beginning of the period		860	1,067	1,067
Cash and Cash Equivalents at the End of the Period		912	940	860
Reconciliation of Net Profit Attributable to Shareholders to Net Cash Flows from Operating Activities:				
Net profit attributable to shareholders		38	98	81
Plus/(less) non-cash items:				
Depreciation and amortisation		171	151	316
Loss on disposal of property, plant and equipment, intangibles and assets held for resale		3	2	8
Share of profit of associates		(2)	-	(3)
Unrealised (gains)/losses on fuel derivatives	5	(18)	(2)	11
Foreign exchange (gains)/losses	2	(2)	(2)	1
Other non-cash items		3	10	10
		193	257	424
Net working capital movements:				
Assets		(20)	(24)	(53)
Revenue in advance		(100)	(8)	108
Deferred foreign exchange losses		-	26	20
Liabilities		73	(15)	(33)
		(47)	(21)	42
Net Cash Flow from Operating Activities		146	236	466

*Relates to gains/losses on rollover of foreign exchange contracts that hedge exposures in other financial periods.

These financial statements have not been audited. They have been the subject of review by the auditors pursuant to New Zealand Institute of Chartered Accountants Review Engagement Standards RS-1. The accompanying notes form part of these financial statements.

Condensed Notes to the Financial Statements (unaudited)

As at and for the six months to 31 December 2011

1. FINANCIAL STATEMENTS

The condensed Group interim financial statements should be read in conjunction with the annual report for the year ended 30 June 2011.

The accounting policies used in the preparation of the interim financial statements are consistent with those used as at 30 June 2011 and 31 December 2010 except as noted below.

FRS 44 – New Zealand Additional Disclosures (April 2011) and Amendments to FRS 44 - New Zealand Additional Disclosures (June 2011) were adopted on 1 July 2011. In addition, "Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards" was adopted on 1 July 2011. The adoptions have not had a significant impact on the financial statements presented as Air New Zealand has elected to present a comparative Statement of Financial Position for the period ending 31 December 2010.

These interim financial statements have not been audited. The interim financial statements comply with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting and have been the subject of review by the auditors, pursuant to New Zealand Institute of Chartered Accountants Review Engagement Standards RS-1.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current period.

2. GENERAL DISCLOSURES

Total operating revenue (including finance income) is $2,306 million (31 December 2010: $2,257 million; 30 June 2011: $4,377 million).

The Group's investment in associates relates to a 49% interest in Christchurch Engine Centre (CEC) (31 December 2010 and 30 June 2011 also included a 26% interest in VCubed Pty Limited). During the period ended 31 December 2011 the Group invested in a 50% interest in a joint venture, Pacific Leisure Group Limited.

Foreign currency transactions are converted into New Zealand dollars using exchange rates approximating those at transaction date. "Foreign exchange losses" as disclosed separately in the Statement of Financial Performance comprise realised gains/(losses) from operating hedge derivatives, the translation of monetary assets and liabilities denominated in foreign currencies and ineffective and non-hedge accounted foreign currency derivatives.

Normalised earnings, disclosed as supplementary information at the foot of the Statement of Financial Performance, shows earnings after excluding movements on derivatives that hedge exposures in other financial periods. The adjustments align the timing of recognition of derivative gains or losses with the underlying hedged transaction. Such movements comprise amounts required to be recognised as ineffective for accounting purposes (refer Note 5). The amount recognised in the Statement of Financial Performance in relation to (gains)/losses on derivatives which hedge exposures in other financial periods are $27 million of gains for fuel derivatives (30 June 2011: losses of $7 million; 31 December 2010: gains of $2 million) and $6 million of losses on foreign exchange derivatives (30 June 2011: gains of $5 million; 31 December 2010: gains of $1 million).

On 28 September 2011 Air New Zealand issued $150 million of unsecured, unsubordinated fixed rate bonds which is included within "Interest-bearing liabilities" in the Statement of Financial Position. The bonds have a maturity date of 15 November 2016 and an interest rate of 6.90% payable semi-annually.

3. SEGMENTAL INFORMATION

Air New Zealand operates predominantly in one segment, its primary business being the transportation of passengers and cargo on an integrated network of scheduled airline services to, from and within New Zealand. Resource allocation decisions across the network are made to optimise the consolidated Group's financial result.

Geographical

An analysis of operating revenue by geographical region of original sale is provided below.

	6 MONTHS TO 31 DEC 2011 $M	6 MONTHS TO 31 DEC 2010 $M	12 MONTHS TO 30 JUN 2011 $M
Analysis of revenue by geographical region of original sale			
New Zealand	1,346	1,288	2,496
Australia and Pacific Islands	360	325	611
United Kingdom and Europe	189	182	374
Asia	174	217	397
North America	222	224	463
Total Operating Revenue	2,291	2,236	4,341

The principal non-current asset of the Group is the aircraft fleet which is registered in New Zealand and employed across the worldwide network. Accordingly, there is no reasonable basis for allocating the assets to geographical segments.

4. INVESTMENTS IN OTHER ENTITIES

The following entities were acquired or incorporated during the period:

Name of Entity	Principal Activity	Acquisition Date	% of Voting Rights	Relationship
ANZGT Field Services LLC	Engineering Services	29 July 2011	51	Subsidiary
Pacific Leisure Group Limited	Wholesale Travel Distributor	20 October 2011	50	Joint Venture
VCubed Pty Limited	Online Booking Exchange	6 October 2011	70	Subsidiary

VCubed Pty Limited was previously held as an associate with the Group holding a 26% interest. On 6 October 2011, the Group increased the shareholding in VCubed Pty Limited as a result of the conversion of 3 million convertible notes. Immediately following the conversion, the Group subscribed for an additional 2,225,313 Ordinary Shares in the Company under a pro-rata rights issue at a cost of A$800k. Upon consolidation of VCubed Pty Limited into the Air New Zealand Group goodwill of $2 million was recognised.

The Group acquired a 51% share of ANZGT Field Services LLC on 29 July 2011. The Group invested in ANZGT Field Services LLC to support and enhance its marine and industrial engine business. The company is incorporated in the United States of America.

Pacific Leisure Group Limited was incorporated on 20 October 2011 and commenced trading as a joint venture on 25 November 2011. The Group invested in the company to expand the Air New Zealand Holiday's wholesale travel business to support growth of the ancillary revenue strategy by combining its operations with Australia's largest domestic wholesaler of Australian travel products and services.

The acquisitions had the following impact on the Group's assets and liabilities at the date of purchase:

	CONSOLIDATED FAIR VALUE ON AQUISITION $M
Bank and short term deposits	3
Property, plant and equipment	2
Intangible assets	1
Other liabilities	(1)
Net Assets and Liabilities Acquired	5
Transferred from: Investment in other entities (associates)	(3)
Goodwill arising on acquisition	2
Non-controlling interest in acquired net assets	(2)
Cash Consideration Paid	2
Cash and cash equivalents acquired	3
Net Cash Inflow	1

The value of non-controlling interests was determined in VCubed Pty Limited based on a 30% interest, and in ANZGT Field Services LLC based on a 49% interest, in the fair value of the identified net assets as at the date of acquisition.

Operating revenue (including finance income) of $1,392k and net loss after tax of $355k was recognised in respect of these entities in the Statement of Financial Performance from the date of acquisition. If the acquisitions had been effected at the start of the financial year (1 July 2011) total operating revenue (including finance income) for the Group would have been $2,307 million and net profit after tax of $38 million.

5. DERIVATIVE FINANCIAL INSTRUMENTS

The earnings impact of derivative financial instruments (excluding the transfer of the effective portion of qualifying hedge relationships from the cash flow hedge reserve to earnings upon the occurrence of the underlying hedged item) is summarised as follows:

	6 MONTHS TO 31 DEC 2011 $M	6 MONTHS TO 31 DEC 2010 $M	12 MONTHS TO 30 JUN 2011 $M
Gain/(loss) recognised in the Statement of Financial Performance:			
Accounting ineffectiveness on cash flow hedges	12	(5)	(3)
Non-hedge accounted derivatives	32	(57)	(105)
Components of derivatives excluded from hedge designations	(12)	(5)	(28)
	32	(67)	(136)

Condensed Notes to the Financial Statements (continued) (unaudited)

As at and for the six months to 31 December 2011

5. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Accounting ineffectiveness on cash flow hedges

NZ IAS 39: Financial Instruments: Recognition and Measurement requires hedge effectiveness to be determined for accounting purposes within strict parameters. Each derivative transaction used to hedge identified risks must be documented and proven to be effective in offsetting changes in the value of the underlying risk within a range of 80% - 125%. This measure of effectiveness may result in economically appropriate hedging transactions being deemed ineffective for accounting purposes. In particular, the use of crude oil derivatives as a proxy for jet fuel, and the high volatility of fuel markets may cause cash flow hedges in respect of fuel derivatives to fail the accounting hedge effectiveness test.

Risk management practices are determined on an economic basis, rather than being designed to achieve a particular accounting outcome. Consequently, it is expected that this will result in some transactions failing the accounting hedge effectiveness criteria from time to time and ineffectiveness being recorded through earnings in periods other than when the hedged item occurs, causing some volatility through earnings.

Non-hedge accounted derivatives

Where changes in the fair value of a derivative provide a natural offset to the underlying hedged item as it impacts earnings, hedge accounting is not applied. Foreign currency gains or losses on lease return provisions and non-hedge accounted United States Dollar denominated interest-bearing liabilities are recognised in the Statement of Financial Performance within "Foreign exchange losses". Marked to market gains or losses on non-hedge accounted foreign currency derivatives provide a natural offset to these foreign exchange movements, and are also recognised within "Foreign exchange losses". In addition, short-dated fuel derivatives are not hedge accounted and are marked to market within "Fuel".

During the period Air New Zealand entered into an equity derivative whereby the Group is guaranteed a minimum additional exposure of 3.5% interest in Virgin Australia Holdings Limited (Virgin Australia) and up to a maximum additional exposure of 5% interest. This would take the Group's total interest in Virgin Australia to 18.49% and 19.99% respectively. During the six months to 31 December 2011, a loss of $3 million was recognised in respect of the marked to market valuation of these derivatives.

During the six months to 31 December 2010, a gain of $18 million was recognised in respect of the marked to market valuation of equity swaps (30 June 2011: gain of $12 million) which did not provide any right to buy shares but provided price protection prior to Air New Zealand taking a physical share position of 14.99% in Virgin Australia.

The gain/(loss) in respect of these equity derivatives is included in the "Non-hedge accounted derivatives" line above and in "Other expenses" in the Statement of Financial Performance.

Components of derivatives excluded from hedge designations

Some components of hedge accounted derivatives are excluded from the designated risk. Cash flow hedges in respect of fuel derivatives only include the intrinsic value of the fuel options with all other components of the option value (mainly time value) being marked to market within "Fuel". Similarly, forward points (the differential in interest rates between currencies) are excluded from the hedge designation in respect of foreign currency derivatives which hedge account forecast foreign currency operating revenue and expenditure transactions. These components are not hedge accounted and, accordingly, marked to market within "Finance costs".

6. CAPITAL COMMITMENTS

	31 DEC 2011 $M	31 DEC 2010 $M	30 JUN 2011 $M
Aircraft and engines	2,515	2,454	2,022
Other assets	3	13	6
	2,518	2,467	2,028

Commitments shown are for those asset purchases committed and contracted for and are converted at the period end exchange rate.

Significant movements (excluding progress payments and foreign exchange movements) in capital commitments since 30 June 2011 include the delivery of one Boeing 777-300ER aircraft and one GE90 spare engine, and additional commitments arising from an agreement to purchase ATR72-600 aircraft.

On 30 November 2011 the Group entered into a sale and purchase agreement for seven firm ATR72-600 aircraft. The Group also has purchase options on a further five aircraft as well as the rights to acquire another five. The aircraft subject to firm commitments are scheduled for delivery between October 2012 and January 2017.

The Group has entered into a firm commitment to purchase eight Boeing 787-9 (B787-9) aircraft and associated engines and spares. The B787-9 aircraft that were subject to firm commitments were originally scheduled for delivery between the period December 2010 to September 2013. The Group received notification from Boeing in February 2009 and March 2011 that the aircraft deliveries have been delayed. On 23 February 2012, Air New Zealand reached an agreement with Boeing in relation to the delays. Under the agreement the Group will acquire an additional two aircraft, by converting existing options into firm orders, bringing the total on order to ten aircraft. The Group has options to acquire a further eight aircraft. The firm aircraft are expected to be delivered between the second quarter of the 2014 calendar year to October 2017. The capital commitments in the above table reflect the additional firm aircraft and revised delivery schedule.

Condensed Notes to the Financial Statements (continued) (unaudited)

As at and for the six months to 31 December 2011

7. OPERATING LEASE COMMITMENTS

	31 DEC 2011 $M	31 DEC 2010 $M	30 JUN 2011 $M
Aircraft Leases Payable			
Not later than 1 year	154	170	152
Later than 1 year and not later than 5 years	500	530	476
Later than 5 years	216	334	253
	870	1,034	881
Property Leases Payable			
Not later than 1 year	39	44	43
Later than 1 year and not later than 5 years	100	104	101
Later than 5 years	95	88	103
	234	236	247

8. CONTINGENT LIABILITIES

All significant legal disputes involving probable loss that can be reliably estimated have been provided for in the financial statements. There are no contingent liabilities for which it is practicable to estimate the financial effect.

Air New Zealand has been named in five class actions. Two (one in Australia and the other in the United States) make allegations against more than 30 airlines, of anti competitive conduct in relation to pricing in the air cargo business and one class action (in the United States) alleges that Air New Zealand together with many other airlines conspired in respect of fares and surcharges on trans-Pacific routes. The likelihood of any liability on the remaining two class actions (one in Australia and the other in Canada) is considered remote. All class actions are being defended.

The allegations made in relation to the air cargo business are also the subject of proceedings by regulators. Following a detailed, formal investigation, the European Commission advised in November 2010 that it had closed its file in relation to Air New Zealand. Similarly, an intensive investigation by the US Department of Justice was concluded by a letter in July 2011 confirming that "Air New Zealand is no longer a subject or target of the ongoing grand jury investigation". Air New Zealand has paid no fine nor incurred any penalty in relation to the European Commission or US Department of Justice investigations.

Two regulators are continuing proceedings in relation to the air cargo business. In December 2008 the New Zealand Commerce Commission filed proceedings against 13 airlines including Air New Zealand alleging breaches of the Commerce Act 1986. In May 2010 the Australian Competition and Consumer Commission filed proceedings alleging breaches of the (Australian) Trade Practices Act 1974. Air New Zealand is defending these remaining proceedings.

In the event that a court determined, or it was agreed with a regulator, that Air New Zealand had breached relevant laws, the Company would have potential liability for pecuniary penalties and to third party damages under the laws of the relevant jurisdictions. No other significant contingent liability claims are outstanding at balance date.

There is some uncertainty regarding the tax outcomes associated with foreign exchange movements on the Group's contracts to purchase aircraft. The treatment adopted in the interim financial statements is consistent with advice received from the Inland Revenue Department to date. If the Inland Revenue Department was to modify its position, the potential impact would be a temporary difference giving rise to a deferred tax asset and current tax liability estimated to be in the region of $100 million. In the unlikely event this temporary difference arose it is expected to reverse in the short to medium term.

Outstanding letters of credit and performance bonds total $29 million (31 December 2010: $41 million; 30 June 2011: $34 million).

The Group has a partnership agreement with Pratt and Whitney in which it holds a 49% interest in the Christchurch Engine Centre (CEC). By the nature of the agreement, joint and several liability exists between the two parties. Total liabilities of the CEC are $79 million (31 December 2010: $71 million; 30 June 2011: $77 million).

9. DIVIDENDS

On 23 February 2012, the Board of Directors declared an interim dividend of 2.0 cents per Ordinary Share, payable on 21 March 2012 to registered shareholders at 9 March 2012. The total dividend payable will be $22 million. No imputation credits will be attached. The dividend has not been recognised in the December 2011 interim financial statements.

A final dividend in respect of the 2011 financial year of 2.5 cents per Ordinary Share was paid on 21 September 2011. No imputation credits were attached. Under the dividend reinvestment plan, dividends payable of $3 million were settled by the issue of 2,965,084 Ordinary Shares, at $1.0818 per Ordinary Share.

A dividend reinvestment plan (the Plan) has been established which offers eligible shareholders the opportunity to increase their investment in the Company by applying dividends received on some or all of their existing Ordinary Shares to the acquisition of additional Ordinary Shares.All shareholders with registered addresses in New Zealand and Australia are entitled to participate in the Plan. The subscription price of Ordinary Shares issued under the Plan will be at a discount of 1.5 percent of the volume weighted average sale price of the Ordinary Shares on the NZSX and ASX over the first five trading days on which the Shares trade ex-entitlement on the NZSX. For participation in the Plan to be effective in relation to the interim dividend which is proposed to be paid on 21 March 2012, a properly completed participation form must already be held, or will need to be received, by Link Market Services Limited (the Company's share registrar) prior to 5.00pm (NZ time) on 9 March 2012.

Review Report

Deloitte.

TO THE SHAREHOLDERS OF AIR NEW ZEALAND LIMITED

We have reviewed the condensed Group interim financial statements on pages 1 to 9. The condensed Group interim financial statements provide information about the past financial performance of Air New Zealand Limited and its subsidiaries ("the Group") and its financial position as at 31 December 2011. This information is stated in accordance with the accounting policies referred to on page 6.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the condensed Group interim financial statements which present fairly the financial position of the Group as at 31 December 2011 and the results of operations and cash flows for the six months ended on that date.

Independent Accountant's Responsibilities

The Auditor-General is the auditor of the Group pursuant to section 5(1)(f) of the Public Audit Act 2001. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Andrew Dick of Deloitte to carry out the annual audit of the Group.

We are responsible for reviewing the condensed Group interim financial statements presented by the Board of Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the condensed Group interim financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We have reviewed the condensed Group interim financial statements for the six months ended 31 December 2011 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have performed other engagements in the areas of taxation, audit and other assurance services. None of these engagements impact, in any way, on our independence. In addition to these engagements, principals and employees of our firm deal with the Group on arm's length terms within the ordinary course of trading activities of the Group. Other than these engagements and arm's length transactions, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Group.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed Group interim financial statements on pages 1 to 9 do not present fairly the financial position of the Group as at 31 December 2011 and the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34: Interim Financial Reporting and IAS 34: Interim Financial Reporting.

Our review was completed on 24 February 2012 and our review opinion is expressed as at that date.

Andrew Dick
Deloitte
On behalf of the Auditor-General
Auckland, New Zealand

Matters Relating to the Electronic Presentation of the Unaudited Condensed Group Interim Financial Statements

This review report relates to the unaudited condensed group interim financial statements of Air New Zealand Limited for the six months ended 31 December 2011 included on Air New Zealand's website. The entity's governing body is responsible for the maintenance and integrity of the entity's website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed group interim financial statements since they were initially presented on the website.
The review report refers only to the unaudited condensed group interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed group interim financial statements. If shareholders of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the reviewed unaudited condensed group interim financial statements and related review report dated 24 February 2012 to confirm the information included in the reviewed unaudited condensed group interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

General Information

New Zealand Stock Exchange

In December 2011 Air New Zealand and Her Majesty the Queen in Right of New Zealand acting by and through the Chief Executive of the Ministry of Economic Development (the Crown) entered into an agreement for the provision by Air New Zealand of air travel services (the Agreement). The initial term of the Agreement is 5 years, with the potential for two rights of renewal for one year each. Under the Agreement Air New Zealand is appointed the sole preferred supplier of domestic New Zealand air travel services and a non-exclusive supplier of air travel services on trans-Tasman and international routes to all participating New Zealand Government Agencies.

Air New Zealand was granted a waiver by NZX Market Supervision from NZSX Listing Rule 9.2.1 so that it was not required to obtain shareholder approval by ordinary resolution for the entry into the Agreement (the Transaction). That waiver was granted on the following conditions:

(a) two independent directors of Air New Zealand certify in writing to NZX that the Transaction has been negotiated on arms' length commercial terms, entry into the Transaction is in the best interests of Air New Zealand shareholders (other than the Crown) and the Crown as the majority shareholder in Air New Zealand has not influenced the Board's decision to enter into the Agreement;

(b) when the initial term of the Transaction ends and if Air New Zealand and the Crown decide to renew the Transaction for a further term, at the time of such renewal two directors of Air New Zealand will make the certifications described above; and

(c) the key terms of the Transaction (other than those which are commercially sensitive), the waiver, its conditions and its effect are disclosed in the half year and annual reports for the year in which the Transaction takes place.

Shareholder Enquiries

Shareholder Communication

Air New Zealand's investor website **www.airnzinvestor.co.nz** provides shareholders with information on monthly operating statistics, financial results, stock exchange releases, corporate governance, annual meetings, investor presentations, important dates and contact details. Shareholders can also view webcasts of key events from this site.

Shareholders who would like to receive electronic news updates can register online at www.airnzinvestor.co.nz or email Investor Relations directly on **investor@airnz.co.nz**.

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